

United States Senator

**BOB BENNETT**

Joint Economic Committee

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# **Chairman's Opening Statement**

## **Senator Robert F. Bennett**

### **Hearing of the Joint Economic Committee**

### **"Medicare's Financial Crisis"**

### **April 10, 2003**

Good morning and welcome to today's hearing on the challenges facing Medicare.

Medicare is the best Blue Cross/Blue Shield fee-for-service indemnity plan of the 1960s – frozen in time. Before we get carried away with rhetoric about what we have to protect and not protect about Medicare, let's understand that simple truth. We don't practice medicine the way we did in the 1960s; we shouldn't deliver and finance medicine the same way either.

Congress must face the fact that Medicare is 40 years old, whereas the practice of medicine is changing so constantly that we could say it is only 40 months old. Applying another Band-Aid to Medicare would be malpractice when radical surgery is what's needed.

Exhibit 1 in the case for radical reform is Medicare's growing financial crisis. Promised benefits now exceed Medicare's financial resources by more than \$13 trillion. In other words, Medicare's unfunded liabilities are more than three-and-half times as large as our nation's public debt. This imbalance will only worsen if Congress adds a prescription drug benefit to Medicare.

We have a big problem – one that gets worse every day. To bring Medicare into long-term fiscal balance today would require either an 83 percent increase in the Medicare payroll tax or a 42 percent reduction in Medicare spending. If we wait, these changes would have to be even larger. Enormous burdens on Medicare beneficiaries and on taxpayers thus appear almost inevitable.

We need better solutions. We need creative ideas about how to deliver quality care to a growing population while keeping costs under control. We need, in short, to start over with a clean sheet of paper. We need to ask ourselves – "Given everything we know today, what's the best way to structure Medicare and, indeed, our entire health care system?"

Any successful reform must begin with respect for the power of the market. Consumer choice, consumer responsibility, and market competition have long driven the success of the U.S. economy. The same forces should be harnessed to deliver health care.

Properly structured, market-oriented reforms can deliver quality health care efficiently and fairly. Market forces will increase beneficiary choice, slow the growth of beneficiary and taxpayer spending, and provide strong incentives for health plans, both public and private, to provide the highest quality health care.

Congress should take care to safeguard vulnerable beneficiaries from any unintended consequences of market forces. However, it would be foolhardy to walk away from all the benefits of market forces for fear of these unintended consequences.

We have a problem and it's not going to go away. Indeed, it seems likely to get worse, given the strong desire to add a prescription drug benefit. I share that desire – prescription drugs are essential to the health of our retirees. But as we design that new benefit, we should keep in mind that – as noted in a new Committee report released this morning – more than three-quarters of Medicare beneficiaries already have some sort of drug coverage. Any move to add a drug benefit must carefully balance the needs of the beneficiaries with their current sources of coverage and the financial burden on taxpayers.

We certainly do need a prescription drug benefit – prescription drugs do things now that were unimaginable in the 1960s. But we shouldn't paste that benefit onto a broken system. We shouldn't create a new set of forms and eligibilities that torment patients, frustrate doctors, and reward those skilled in the black art of Medicare payment formulas. Let us as a Congress face the fact that we need to start from a clean sheet of paper, all over again, with all of the money we are putting into it, and say "Let's create a whole new system."

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